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Governor Dix on the
currency

[S.I.]

[1874?]

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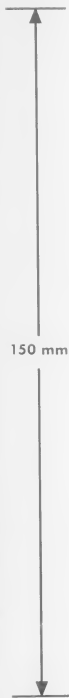
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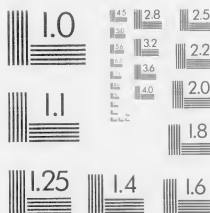
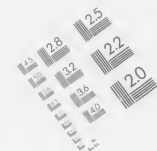
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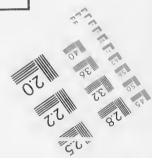
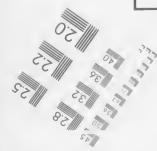


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GOVERNOR DIX ON THE CURRENCY.

The money power naturally gravitates to the great commercial centres. We of the West and South willingly concede to New York and New England all the advantages properly belonging to geographical position, wealth and enterprise. But we contend that these advantages should not be factitiously aggravated by legislation calculated to place the industry and products of the West and South under the control, and at the mercy, of a combination of individuals in New York and New England.

The National Banking System has this effect. Its advocates do not defend it on its own merits, (although it has some that are undeniable,) so much as on the demerits of the system which it has superseded. The chief defect of the latter was its liability to expansions and contractions, ruinous to all regular industry, and beneficial only to the small class of money dealers who perform on land functions analogous to those of "wreckers" at sea.

Experience has proved that these fluctuations are inseparable from a currency consisting partly of gold and silver coin, and partly of paper, redeemable on demand in gold and silver coin. Why? Because gold and silver coin, in the absence, and without the assistance, of some paper currency resting on a more solid basis, (such, for example, as the power of taxation, which represents the whole combined wealth of the country,) lacks the *fluidity* necessary to uphold any system of paper currency redeemable on demand in gold or silver coin. Hence, under the old banking system we had, every ten or twenty years, a panic and general smash, for which a *suspension of specie payments* has been the only cure or palliative yet discovered. To make matters worse, a scarcity of gold and silver coin, from exportation or any other cause, was accompanied by a contraction

of the paper circulation at the very time when *more paper currency* was needed, because of the *scarcity of specie*.

Under the present system we have panics every few months or weeks, and fluctuations in values every twenty-four hours, or oftener, as the telegraph may announce or contradict some anticipated movement of the Secretary of the Treasury calculated to affect the quantity and value of the money in circulation.

Specie payments are suspended, except as to customs duties. No one thinks of specie except the "wreckers" of the gold room and the importers, who are placed in the power of the "wreckers" by the legislation which makes gold and silver coin fictitiously worth more than greenbacks or bank notes for payment of customs duties.

Specie payments being suspended, the daily fluctuations in values and frequently-recurring panics of the present system cannot be accounted for by the *infidelity* of the metals. We must therefore look elsewhere for their cause. In doing so, we find that Congress has virtually abdicated its constitutional power to regulate the value of money, in favor of a few individuals. In the language of Jefferson, it has permitted "*the field of circulation to be filched from the nation, to whom it belongs.*" It has concentrated the money power in New York and New England, to the great detriment of the West and South. Worse still, this injustice to the West and South does not inure to the benefit of the *whole people* of New York and New England, but of a *few* only. Worse still. To increase the power and profits of these few individuals, their number and the amount of circulation is rigidly *limited* by law, so as to enable them to "lock up" currency, and thereby to control and obstruct its *fluidity*, and to cause more frequent and greater fluctuations in the quantity and value of money in circulation than under the old system, bad as that was.

To give to the currency some element of *fluidity* and elasticity, whereby these constantly-recurring panics can be avoided; to *diffuse* the money power, instead of *concentrating* it at New York and in New England, and thereby to

emancipate the West and South from their present monetary subjection to the East; to put some check upon the power to "lock up" currency, and thereby to emancipate the commerce of New York and the industry of New England from their present subjection to the money dealers, are the objects to be accomplished. Can it be done?

Many of the soundest minds of the country agree on a very simple process—that advocated by Jefferson and Calhoun—the issue of Treasury notes, *redeemable* by payment for taxes, and interchangeable with and for Government bonds bearing a low rate of interest.

As patriotism has been defined to be nothing more than love of home expanded, it is not strange, perhaps, that Governor Dix should be opposed to any and every measure, the tendency of which may be to take from his *home*, in ever so slight a degree, the control of the money power of the country. Governor Dix's *home* is circumscribed within the small circle of the money dealers, and his patriotism cannot expand beyond those limits, as was illustrated by his efforts to remove the only remaining check to their otherwise unlimited power, by denouncing the usury laws as a relic of barbarism. In their interest, and on their behalf, he seized the occasion of his recent message to the Legislature of New York, to try to defeat by ridicule what cannot be met by argument. He characterized the demand of the West and South, of the workingmen and the Grangers, of the commerce of New York and the industry of New England, as a proposition for "paper in one form, redeemable in irredeemable paper in another form." This may be witty, but it is defective in one important element, viz: truth. For they do not ask for an *irredeemable* paper. They ask for a paper that will pay taxes, and will be *redeemed* when paid for taxes. There is an old saying, that "two things, death and taxes, are certain." They ask that the paper currency should rest on one of these *certainities*, and not on the great *uncertainty* of a specie reserve in the vaults of a bank controlled by a few of the Governor's friends.

Governor Dix suggests that \$162,054,269 of gold coin

should have been "kept in the public vaults," to enable the Government to "safely declare its circulating notes redeemable in specie." With such a "lock up" of gold coin in the public vaults, and with the facilities afforded by the National Banking System to "lock up" the paper currency, it would hardly have been necessary for the Governor to advocate the abolition of the usury laws. For without that, the money dealers could have bled the industry and commerce of the country to an extent that even the horse-leech might be contented with.

To use a familiar Western and Southern phrase, the Governor's application of the words quoted from DeWitt Clinton to the proposition he opposes, is not "*tooting fair*" with the great dead nor with the living. Clinton's language was a denunciation of the very system that the Governor advocates, and has no application to the one the Governor opposes. There can be no doubt that, if Clinton was now living, he would zealously advocate what the Governor tries to ridicule, viz: Treasury notes, issued under the authority of the United States, based on the credit of the nation, and interchangeable for United States bonds bearing a low rate of interest.

A much better authority on finance than Governor Dix, Stephen Colwell, in his able work entitled "The Ways and Means of Payment," speaks of Treasury notes as "*the very best currency which could be issued in the country.*" He adds, "No medium of payment which could be devised would better accommodate the public creditors than Treasury notes, issued in forms and denominations to suit the wants and conveniences of the people."

The world moves. Even Governor Dix has made much progress during the last few years in the ethics of railroad-ing. It is not impossible that his lamp may hold out to burn long enough for him to rise to the plane of Clinton and Colwell in the ethics of finance. We may yet see him, not only advocating the usury laws, but going in for a rate of interest low enough for legitimate commerce and honest industry to live under. We may yet see him advo-

cating the use of the nation's credit, instead of that of individuals, as a medium of circulation, and the introconversion of Treasury notes into bonds, and of bonds into notes, as the only means of giving fluidity to the currency, and preventing its being "locked up" for speculative and panic purposes.

On page 669, Report 78, H. R., 42d Cong., 3d Session, is a letter from Peter A. Dey to Hon. John A. Dix, president of the Union Pacific R. R. Co., dated Omaha, December 7, 1864. In that letter Mr. Dey resigns his position as chief engineer of that company, and says:

"My reasons for this step are simply that I do not approve of the contract made with Mr. Hoxie for building the first hundred miles from Omaha west, and I do not care to have my name so connected with the railroad that I shall appear to indorse this contract."

On page 671 Mr. Dey says:

"My objections to the Hoxie contract were that it was letting the work for \$2,000,000 more than it ought to have been let for."

On page 672 Mr. Dey says:

"Now, Mr. Hoxie is notified, on the 25th of September, 1864, by George T. M. Davis, of the executive committee, to go to work on this contract, and then, afterward, the above contract is approved and ratified, January 1, by John A. Dix, (!!!) C. S. Bushnell, and G. T. M. Davis, special committee appointed for that purpose. That is rather an unusual method of making contracts—by a special committee. In other words, this contract, by taking the securities at the price named, would bring the cost to over \$60,000 per mile—about \$62,000, I think. * * * I think a liberal price would have been about \$30,000 a mile."

On page 679 of the same document is the testimony of Oakes Ames, as follows:

"A. I recollect there was a letter from General Dix, presented, I suppose, by somebody who represented him while he was in Europe.

"Q. While he was minister to France? A. Yes.

"Q. What was the character of that letter? A. The

letter, if I recollect right, demanded \$50,000 from the company for I do not know what. We considered it a kind of blackmailing, and a hard thing on the company."

Now, see what progress Governor Dix has made in the right direction since the date of that contract with Hoxie, and of that "blackmailing" letter from Paris. In his late message he says:

"The application of the funds belonging to railroad companies to objects other than those for which they were incorporated, and the use of these funds in any manner by the managers, for private profit, should be made crimes punishable by imprisonment.

"It is a reproach to our criminal jurisprudence that there are hundreds of malefactors in our State prisons undergoing sentences for stealing sums under \$50, while there are others at large who have, by fraudulent contrivances, for their own benefit, sacrificed the property of confiding shareholders, many of whom are women and children, to the amount of hundreds of thousands of dollars, and are living in luxury on the proceeds of these enormous larcenies."

After such a change in the ethical views of the president of the Union Pacific Railroad Company, who approved and ratified that great swindle, the Hoxie contract, who will venture to say that Governor Dix will not modify his financial views, so far as to approve of Treasury notes and low rates of interest? which are so much needed by the commerce of New York and the industry of New England, as well as by

THE WEST AND SOUTH.



1891

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